

REMARKS

Claims 25 and 26 have been added. Claims 1-26 are pending.

In the Office action, claims 1-24 were rejected as unpatentable over U.S. Patent Application No. 2004/0015427 (Camelio) in view of U.S. Patent Application No. 2002/0156709 (Andrus). As discussed below, applicant respectfully requests reconsideration.

The employment patterns of artists typically do not lend themselves to existing pension or other retirement plans because artists often do not work full-time and, therefore, are not eligible for pension benefits provided to full-time employees. Furthermore, although *investors* in works of art may be able to reduce their risk by investing in a diverse art portfolio, the artists themselves generally bear the full risk of their own personal success.

The present invention may allow an artist to diversify her risk by pooling her artistic creations with other artists' works of art. In particular, an artist may reduce the risk of failure because the amount of her share in revenues from the works of art does not depend solely on the commercial success of the particular works of art contributed by her, but, instead, on the likelihood that collectively, the works of art contributed by all the artists will be successfully commercialized.

Independent claim 1, for example, recites, in part:

accepting from each of a plurality of artists one or more works of art to be pooled in a collective investment fund;

\* \* \*

distributing a portion of the revenues among the artists, . . . wherein each particular artist . . . is entitled to receive an amount of the revenues based on the collective commercial success of the works of art contributed to the fund by all the artists.

Similarly, independent claim 15 recites, in part, a computer system adapted to cause the distribution of a portion of the revenues among the artists, "wherein each particular artist . . . is

entitled to receive an amount of the revenues based on the collective commercial success of the works of art contributed to the fund by all the artists.”

Thus, the claimed subject matter envisions two or more artists, each of whom contributes at least one work of art to a collective investment fund. The amount of revenue distributed to each particular artist depends, at least in part, on the collective commercial success of all the artists in the fund. As explained in the pending Specification:

In general, an artist who holds one or more financial instruments may be entitled to a dividend in an amount that is not linked specifically to the artworks that he contributed or for which he received the financial instrument. Instead, the amount of the dividend is based on revenues obtained by the fund from the successful commercialization of the entire pool of artworks in the fund. Therefore, an artist who contributed artworks to the fund, but whose artworks turned out to be commercially unsuccessful, would still be entitled to a dividend.

(Page 14, line 23 – page 15, line 9) As further explained:

[W]hereas in contemporary practice artists rely on their own individual merits to succeed, by pooling their artworks the artists may diversify their risk of failure. If a particular artist's artworks turn out to be commercially unsuccessful, the artist still may obtain benefits from the success of the other artists' artworks pooled in the fund. As noted above, at least some of the dividends disbursed among holders of the financial instruments are linked to the combined success in commercializing the pool of artworks in the fund, instead of being linked to the individual artist's artworks.

(Page 16, lines 11-21)

### The Law of Obviousness

A claimed invention is unpatentable due to obviousness if the differences between it and the prior art "are such that the subject matter as a whole would have been obvious at the time the invention was made to a person of ordinary skill in the art." 35 U.S.C. § 103(a).

As discussed by the Court of Appeals for the Federal Circuit, a proper conclusion of obviousness under 35 U.S.C. § 103 requires that there be some motivation in the prior art that suggests the claimed invention as a whole:

[A]n Examiner may often find every element of a claimed invention in the prior art. If identification of each claimed element in the prior art were sufficient to negate patentability, very few patents would ever issue. Furthermore, rejecting patents solely by finding prior art corollaries for the claimed elements would permit an examiner to use the claimed invention itself as a blueprint for piecing together elements in the prior art to defeat the patentability of the claimed invention. Such an approach would be "an illogical and inappropriate process by which to determine patentability."

[Citations omitted] To prevent the use of hindsight based on the invention to defeat patentability of the invention, this court requires the examiner to show motivation to combine the references that create the case of obviousness.

*In re Rouffet*, 149 F.3d 1350, 1357; 47 USPQ2d 1453, 1457-1458 (Fed. Cir. 1998). As further explained by the Federal Circuit:

Our case law makes clear that the best defense against hindsight-based obviousness analysis is the rigorous application of the requirement for a showing of a teaching or motivation to combine the prior art references. See Dembiczak, 175 F.3d at 999, 50

USPQ2d at 1617. "Combining prior art references without evidence of such a suggestion, teaching, or motivation simply takes the inventor's disclosure as a blueprint for piecing together the prior art to defeat patentability--the essence of hindsight." Id.

"When a rejection depends on a combination of prior art references, there must be some teaching, suggestion, or motivation to combine the references." In re Rouffet, 149 F.3d 1350, 1355, 47 USPQ2d 1453, 1456 (Fed. Cir. 1998) (citing In re Geiger, 815 F.2d 686, 688, 2 USPQ2d 1276, 1278 (Fed. Cir. 1987)).

*Ecolochem, Inc. v. Southern California Edison Co.*, 56 USPQ2d 1065, 1072-73 (Fed. Cir. 2000). The showing of the motivation to combine must be "clear and particular." *See, e.g., C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1352, 48 USPQ2d 1225, 1232 (Fed. Cir. 1998); *Teleflex, Inc. v. Ficosa North Am. Corp.*, 63 USPQ2d 1374 at 1387 (Fed. Cir. 2002).

#### The Pending Claims are Patentable Over the Cited References

In contrast to the pending claims, the Camelio patent application discloses a system and technique in which a single artist or artistic entity markets or solicits funding for its own art projects. A released project may be added to a "pool" of creative works (par. [0116]). However, regardless of how many projects or creative works are marketed or for which funding is solicited, all the projects and completed works are made by the same artistic entity.

In contrast to the pending claims, there is absolutely no disclosure or suggestion in the Camelio patent application of multiple artists each of whom contributes one or more works of art to a collective fund. Nor is there any suggestion of distributing revenues based on the collective commercial success of the works of art contributed to the fund separately by all the artists.

The Office action points to paragraph [0075] of the Camelio application, which discloses the possibility that one artist will advertise or recommend another artist in exchange for a

percentage of each sale generated by the advertisement or recommendation. Such an arrangement is a *one-way* arrangement in which the artist advertising or recommending the second artist may receive a percentage of the sales of the second artist's works. That, however, is significantly different from the subject matter of the pending claims. In particular, there is no suggestion of a collective fund in which works of art from both artists are pooled such that each artist can obtain a portion of the revenues based on the collective commercial success of the works of art contributed to the fund by all the artists.

A person of ordinary skill would recognize that certain advantages may be obtained from the subject matter of the pending claims and that such advantages are not suggested by the Camelio patent application. For example, as explained above, the claimed technique and system of the present application may allow each artist to reduce his risk of failure because the amount of each artist's share in revenues from the works of art does not depend solely on the commercial success of the particular works of art contributed by that artist, but, instead, on the likelihood that collectively, the works of art contributed by all the artists will be successfully commercialized. The scenario disclosed by the Camelio patent application allows only the advertising or recommending artist to obtain certain referral fees at the expense of the second artist.

The Office action relies on the Andrus et al. patent application for its disclosure relating to equity interests and warrants. That application discloses, *inter alia*, an investment company that receives funds from a unaffiliated capital markets investors. The investment company invests a substantial majority of the invested funds to operating companies for essentially unrestricted use by the operating companies. The investment company receives a security interest (e.g., a warrant) in substantially all assets of the operating companies.

Applicant does not dispute that various types of equity interests and warrants are known for use in different types of transactions. However, there is no suggestion in either the Camelio or Andrus et al. applications of the claimed subject matter as a whole or of issuing financial instruments as recited in the pending claims.

For example, claim 1 recites that a financial instrument is issued to each particular *artist in consideration for one or more works of art* contributed by that artist to the fund. The Office action implicitly misconstrues that feature when it states (at page 5) that “Camelio discloses that the participants are given entitlements/rights in exchange for their financing.” According to the Camelio application, those “participants” are not the artists. Rather, they are persons who provide funding to the artist’s projects or purchase certain specified rights in the artist’s works of art.

For at least the foregoing reasons, applicant submits that the pending claims are patentable over the cited references and that the rejections under 35 U.S.C. § 103 should be withdrawn.

The Pending Claims Recite Statutory Subject Matter

The Office action also rejected the method claims (1-14) as directed to non-statutory subject matter because they allegedly “do not claim a technological basis in the preamble and body of the claim” and because they allegedly could be interpreted to involve “no more than a manipulation of an abstract idea.” Applicant respectfully disagrees with those rejections.

The Patent statute broadly states what inventions are patentable:

Whoever invents or discovers any new and useful process, . . . or any new and useful improvement thereof, may obtain a patent therefore, . . .

35 U.S.C. § 101. The Patent statute broadly defines “process” to mean “process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter or material. 35 U.S.C. § 100(b).

There is no statutory basis in the Patent statute for requiring that the subject matter of the claims have a “technological basis.” Nor is the undersigned aware of any precedent in the decisions of the U.S. Supreme Court or the Court of Appeals for the Federal Circuit for such a requirement. Instead, the Supreme Court has identified the following areas of subject matter that are unpatentable: laws of nature, natural phenomena, and abstract ideas. *See, e.g., State Street*

*Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998) (citing Supreme Court decisions). As explained by the Federal Circuit:

The repetitive use of the expansive term “any” in § 101 shows Congress’s intent not to place any restrictions in the subject matter for which a patent may be obtained beyond those specifically recited in § 101.

*Id.* Therefore, the Patent Office’s attempt to place the additional requirement of “technological basis” on the type of subject matter considered to be statutory is contrary to the Patent statute as well as contrary to the relevant caselaw. Furthermore, as noted by the Office action, the decision cited at the bottom of page 2, *Ex Parte Bowman*, is non-precedential.

Applicant acknowledges that a process that merely manipulates an abstract idea may not be patentable. However, the Office action’s statement that claims 1-14 “may be interpreted . . . as involving no more than a manipulation of an abstract idea” is incorrect. For example, claim 1 recites “issuing” financial instruments and “distributing” revenues. Those are concrete actions, not merely the manipulation of an abstract idea or the manipulation of ideas by the human mind.

In addition, new claims 25 and 26 have been added. Claim 25 recites that the portion of the revenues is distributed “electronically” among the artists participating in the fund. Claim 26 recites that the method includes “automated transfer” of the portion of the revenues among the artists participating in the fund. Those claims, therefore, recite features that clearly are not simply the manipulation of abstract ideas.

In view of the foregoing remarks, applicant respectfully requests withdrawal of the rejections and allowance of all claims.

Conclusion

It is believed that all of the pending claims have been addressed. However, the absence of a reply to a specific rejection, issue or comment does not signify agreement with or concession of that rejection, issue or comment. In addition, because the arguments made above may not be exhaustive, there may be reasons for patentability of any or all pending claims (or other claims) that have not been expressed. Finally, nothing in this paper should be construed as an intent to concede any issue with regard to any claim, except as specifically stated in this paper, and the amendment of any claim does not necessarily signify concession of unpatentability of the claim prior to its amendment.

Enclosed is a check for excess claim fees. Please apply any other charges or credits to deposit account 06-1050.

Respectfully submitted,

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